

Ciba Specialty Chemicals PLC

**Directors' report and financial
statements**

3249009

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activity of the company is the manufacture and sale of specialty chemicals.

Business review

The company continues to manufacture and sell specialty chemicals. The profit before tax amounted to £6.2 million (1999: £19.1 million)

Results and dividends

The profit for the year ended 31 December 2000 was £6.2 million (1999: £19.1 million). An interim dividend was paid during the year of £19.4 million (1999: £10,000).

Directors

The directors who held office during the year were as follows:

BG Kerr (Chairman)

IEF Stewart

MD Wright

M Finkelstein

According to the register kept under Section 325 of the Companies Act 1985, no director had any beneficial interest in the shares of the company, a subsidiary of the company, the company's holding company, or a subsidiary of the company's holding company, either at the beginning or end of the year. As permitted by statutory instrument, the register does not include any shareholdings of directors in the ultimate holding company and its overseas subsidiary companies.

Involvement of employees

The company's commitment to increasing empowerment of employees demands an effective exchange of information. The process of team briefing by line managers continues to be the important basis for ensuring good internal communications. This is supplemented by both divisional and company-wide publications.

Employment of disabled persons

It remains the company's policy that disabled people are given the same consideration as other applicants for all job vacancies for which they offer themselves as suitable candidates.

Every effort has been made to ensure that line managers fully understand that disabled people must have the same prospects and promotional opportunities that are available to other employees. The company makes appropriate modifications to procedures, equipment and job content where it is practicable and safe to do so. Employees who become disabled during the course of their employment with the company are helped with rehabilitation and retraining for alternative work if they are unable to continue their existing job.

Directors' report *(continued)*

Research and development

Ciba undertakes research and development on a worldwide basis. The company makes a contribution to the total research expenditure incurred by Ciba and is reimbursed for the costs of research of worldwide application it undertakes in the UK.

Political and charitable donations

No contributions were made by the company during the year for political purposes. Donations amounting to £25,764 (1999: £26,000) were made for charitable purposes. In addition, £229,393 (1999: £228,745) was contributed during the year for scientific, educational, research and welfare purposes.

Creditor payments

The company's current policy concerning the payment of the majority of its trade creditors is as follows:

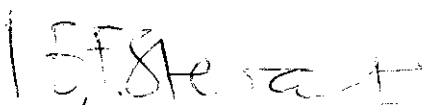
- (a) to settle the terms of payment with those suppliers when agreeing the terms of each transaction;
- (b) to ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms of contracts; and
- (c) to pay in accordance with its contractual and other legal obligations.

The average creditor payment days as at the year end was 31 days (1999: 34 days).

Auditors

The directors will place a resolution before the Annual General Meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the board



I E F Stewart
Secretary

Charter Way
Macclesfield
Cheshire
SK10 2NX

15 March 2001

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Report of the auditors to the shareholders of Ciba Specialty Chemicals PLC

We have audited the financial statements on pages 5 to 22 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors
Bank House
9 Charlotte Street
Manchester
M1 4EU

15 March 2001

Profit and loss account
for the year ended 31 December 2000

	<i>Notes</i>	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Turnover	2		
Continuing operations		296,811	290,335
Discontinued operations		-	60,466
		<hr/> 296,811	<hr/> 350,801
Cost of sales	3(a)	(210,034)	(253,519)
		<hr/>	<hr/>
Gross profit		86,777	97,282
Net operating expenses	3(a)	(66,766)	(78,531)
		<hr/>	<hr/>
Operating profit			
Continuing operations	3(a)(b)	20,011	12,171
Discontinued operations	3(a)	-	6,580
		<hr/> 20,011	<hr/> 18,751
Loss on disposal of discontinued operations	4	(7,226)	-
		<hr/>	<hr/>
Profit on ordinary activities before finance charges		12,785	18,751
Net interest (payable)/receivable	5	(582)	305
Investment charges	6	(6,029)	-
		<hr/>	<hr/>
Profit on ordinary activities before taxation		6,174	19,056
Tax on profit on ordinary activities	7	-	-
		<hr/>	<hr/>
Profit for the financial year		6,174	19,056
Dividends paid	10	(19,392)	(10)
		<hr/>	<hr/>
Deficit/retained profit for the financial year	19	(13,218)	19,046
Profit and loss account brought forward		61,581	42,535
		<hr/>	<hr/>
Profit and loss account carried forward	19	48,363	61,581
		<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of the accounts.

There are no recognised gains or losses in either year other than the result for the year.

Balance sheet
as at 31 December 2000

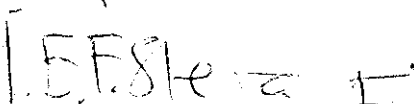
	Note	2000 £000	1999 £000
Fixed assets			
Tangible assets	11	156,461	165,067
Current assets			
Stocks	12	45,013	42,291
Debtors			
due within one year	13	168,159	288,472
due after one year	13	713,569	706,974
Cash at bank and in hand		2,474	3,308
		<u>929,215</u>	<u>1,041,045</u>
Creditors: amounts falling due within one year	14	<u>(570,186)</u>	<u>(547,696)</u>
Net current assets		<u>359,029</u>	<u>493,349</u>
Total assets less current liabilities		<u>515,490</u>	<u>658,416</u>
Creditors: amounts falling due after more than one year	15	(355,402)	(484,469)
Provisions for liabilities and charges	17	(1,702)	(2,343)
Net assets		<u>158,386</u>	<u>171,604</u>
Capital and reserves			
Called up share capital	18	49,991	49,991
Share premium account	19	60,032	60,032
Profit and loss account	19	48,363	61,581
Equity shareholders' funds	20	<u>158,386</u>	<u>171,604</u>

The accompanying notes form an integral part of these accounts.

These financial statements were approved by the board of directors on 15 March 2001 and were signed on its behalf

by

 B G Kerr


 I E F Stewart
 Directors

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepare group financial statements.

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement as the company is a wholly owned subsidiary undertaking of a company incorporated in Switzerland, and a consolidated cash flow statement is included in that company's financial statements, which are publicly available.

Turnover

Turnover is defined as the amounts invoiced for goods supplied excluding value added tax or equivalent overseas sales taxes.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation of tangible fixed assets is provided on a straight line basis to write off the cost by equal annual instalments over their estimated lives, taking into account commercial and technical obsolescence as well as normal wear and tear. Depreciation on assets qualifying for government grants is calculated on their full cost. No depreciation is provided on assets in the course of construction.

The principal estimated lives are as follows:

Buildings	-	33 years
Plant and machinery	-	10-20 years
Fixtures and fittings	-	3-10 years

Government grants in respect of capital expenditure are credited to the profit and loss account over the estimated life of the fixed assets to which they relate. The grants shown in the balance sheet represent the total grants receivable to date less the amounts so far credited to the profit and loss account (see note 15 (a)).

Research and development

All research and development expenditure borne by the group, including all expenditure in respect of patents and trademarks, is written off as incurred.

Stocks

Stocks are valued at the lower of cost and net realisable value. The cost of products manufactured includes an appropriate allocation of overheads. Provision is made for obsolete and slow moving stocks.

Notes (continued)

1 Accounting policies (continued)

Translation of foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Trading assets and liabilities denominated in foreign currency are translated into sterling at the rate of exchange ruling at the year end or, if appropriate, at the forward contract rate; exchange gains and losses are taken to trading profit.

Pension and post-retirement benefits

Defined benefit pension schemes are administered by appointed trustees.

The pension cost charged to the profit and loss account is calculated on a basis designed to ensure that the cost is a substantially level percentage of the pensionable payroll for the foreseeable future. This may not therefore coincide with the contributions actually made to the pension funds, with any differences shown as provisions or prepayments.

The assets and liabilities of the schemes are valued periodically by independent actuaries at intervals of not more than three years. Any surplus arising from a valuation is amortised over the average working lives of existing employees.

The expected cost of providing post-retirement medical insurance is recognised over the period of service of the employees as calculated by independent actuaries, being reviewed at intervals of not more than three years.

Leases

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Provision is made for deferred taxation if it is considered that a liability will arise in the foreseeable future. The rate of United Kingdom corporation tax applied is that which is expected to be payable in the period in which the liability arises. The same principles are applied to deferred taxation in relation to pension and post-retirement medical insurance costs.

Financial instruments

The company holds and uses financial instruments to finance its operations and to manage its interest rate, liquidity and currency risks. The company primarily finances its operations using retained profits, borrowings, cash and liquid resources, trade debtors and creditors, accruals and prepayments. These financial instruments all arise in the normal course of the company's operating activities.

As directed by the board the company does not engage in speculative activities using derivative financial instruments. Company cash reserves are held centrally to take advantage of the most rewarding short-term investments opportunities. Forward foreign currency contracts or options are used in the management of currency risk.

Notes (continued)

1 Accounting policies (continued)

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and exchange rate risk. The board reviews and agrees the policies for managing each of these risks in accordance with the worldwide group's financial policies. These policies have remained unchanged since 1999.

Interest rate risk

The company's policy is to regularly review the terms of its available short-term borrowing facilities and to individually assess and manage each long-term borrowing commitment accordingly.

Liquidity risk

Cash resources are largely generated through operations. Short-term flexibility is achieved by overdraft facilities, money market facilities and intercompany loans.

Currency risk

Exposure to currency risk primarily arises from incurring transactional foreign currency costs. The company's policy is to cover all significant foreign currency commitments by using forward foreign currency contracts or options.

2 Turnover

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
<i>Turnover by destination is as follows:</i>		
United Kingdom	111,530	157,489
Americas	33,397	35,398
Europe	129,719	134,813
Asia, Australia and Africa	22,165	23,101
	<hr/> 296,811 <hr/>	<hr/> 350,801 <hr/>

Further segmental information has been excluded as the directors believe disclosure would be seriously prejudicial to the company.

Notes (continued)

3 (a) Turnover and net operating expenses

	2000 £000 Total	1999 £000 Discontinued	1999 £000 Continuing	1999 £000 Total
Turnover	296,811	60,466	290,335	350,801
Cost of sales	210,034	45,041	208,478	253,519
Gross profit	86,777	15,425	81,857	97,282
Other external costs	9,154	992	7,638	8,630
Staff costs (note 8)	30,702	5,042	31,798	36,840
Depreciation of tangible fixed assets	11,257	1,316	11,405	12,721
Other operating charges	15,653	1,495	18,845	20,340
Net operating expenses	66,766	8,845	69,686	78,531
Operating profit	20,011	6,580	12,171	18,751

All the operating profit for the year ended 31 December 2000 arose from continuing operations.

(b) Operating profit on ordinary activities

Operating profit on ordinary activities is stated after charging/(crediting) the following:

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Auditors' remuneration:		
audit	102	110
other services	277	166
Operating leases:		
plant and machinery	131	79
other assets	584	463
Directors' emoluments (note 9)	663	562
Amounts transferred from government grants (note 15 (a))	(373)	(422)
Amortisation of pension surplus (note 8)	(18,040)	(14,439)
Research and development expenditure	4,010	4,951
Exchange gains and losses on foreign currency borrowings	3,489	3,319

(c) Central research

Ciba Specialty Chemicals PLC makes a contribution to the central research and overhead expenditure of the holding company of an amount agreed annually by independent professional accountants. The cost of research of worldwide application undertaken in the UK is reimbursed annually by the holding company.

The provision for the contribution and the reimbursement of research and overhead costs for 2000 included in these accounts has been estimated and is subject to adjustment on receipt from the independent accountants of their statement of the actual amounts payable and receivable.

Notes (continued)

4 Loss on disposal of discontinued operations

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Decrease in pension prepayment due to business reorganisation (note 8(c))	7,226	-

5 Net interest (payable)/receivable

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
On loans wholly repayable within five years:		
Group companies	(25,223)	(19,682)
Bank interest and similar charges	(13,157)	(15,041)
	(38,380)	(34,723)
On loans wholly repayable after five years:		
Bank interest and similar charges	(18,565)	(19,500)
	(18,565)	(19,500)
	(56,945)	(54,223)
Bank interest receivable and similar income	75	95
Group companies	56,288	54,433
	(582)	305

6 Investment charges

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Loss on termination of interest swap	5,009	-
Amortisation of capitalised portion of loss on termination	1,020	-
	6,029	-

Notes (continued)

7 Tax on profit on ordinary activities

There is no tax charge for the year due to the availability of losses within the UK group and the non-taxable nature of the credit arising on the amortisation of the pension surplus (see note 8).

There is no provision for deferred tax as it is considered that a liability will not arise in the foreseeable future.

The amount of full potential deferred taxation is as follows:

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Capital allowances exceeding depreciation and other timing differences	27,380	27,685
Post retirement medical insurance costs	(389)	(381)
Capital gains rolled over	1,707	1,706
	<u>28,698</u>	<u>29,010</u>

8 Employees

- (a) The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Year ended 31 December 2000	Year ended 31 December 1999
Production	964	1,102
Administration	442	582
	<u>1,406</u>	<u>1,684</u>

- (b) Cost of employees, including executive directors:

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Wages and salaries	43,866	46,498
Social security costs	3,744	4,235
Amortisation of pension surplus	(18,040)	(14,439)
	<u>29,570</u>	<u>36,294</u>
Education, training and welfare	1,132	546
	<u>30,702</u>	<u>36,840</u>

Notes (continued)

8 Employees (continued)

(c) Pension schemes

The company operates defined benefit schemes funded by contributions from members and from the company. The total pension cost for the company is assessed in accordance with the advice of an independent actuary using the projected unit method.

The assets of the pension scheme are held in a separate trustee administered fund for which the most recent actuarial valuation was carried out at 1 January 2000.

The principal assumptions can be summarised as follows:

- (i) To allow for inflation the long term yield, which may be expected to be earned on new investments over a considerable period in the future, will exceed the general rate of salary increases by 3 per cent per annum and the rate of pension increase by 4.5 per cent per annum.
- (ii) Retirements in good health will occur at normal retirement age and appropriate allowance for mortality, withdrawal, ill-health and early retirement has been made.

The market value of the scheme's assets at the valuation date was £332 million and the actuarial value of the assets was sufficient to cover 175% of the benefits that accrued to members, after allowing for expected future increases in earnings, and for the improvements made to the scheme.

The surplus arose as a result of a strong investment performance by the pension fund. As a result of the valuation a net adjustment in accordance with SSAP 24 of £18.0 million (1999: £14.4 million) was credited to the profit and loss account.

An amount of £56.9 million (1999: £46.0 million) is included in prepayments, which represents the accumulated prepaid contributions prior to valuation together with the credit arising from the pension surplus.

On 30 September 1999 the company's business was reorganised which resulted in certain assets and liabilities of the Performance Polymers division being transferred to Ciba Specialty Chemicals Performance Polymers Limited.

During the year ended 31 December 2000 a pension prepayment amounting to £7.2 million was allocated to Ciba Specialty Chemicals Performance Polymers Limited in proportion to the accrued pension entitlements of members. The Ciba Specialty Chemicals PLC prepayment has been reduced by an equivalent amount.

(d) Post-retirement medical insurance

The company provides contributions towards medical insurance costs of certain employees beyond their retirement date. These arrangements are unfunded but provided for and the latest full actuarial valuation was carried out at 31 December 1998 by independent actuaries.

The principal assumptions can be summarised as follows:

- (i) The rate of medical expenses inflation has been assumed as 10% p.a. for the next four years falling linearly over the next five years to 4% and being 4% p.a. thereafter.
- (ii) The discount rate used is 5.25%.
- (iii) Other assumptions are consistent with those made in evaluating the pension cost.

During the period the provision was reviewed to take account of costs and savings relating to buyout arrangements and changes to benefits but no changes were required.

Notes (continued)

9 Directors

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
(a) Emoluments of directors		
Payments to executive directors	663	562
(b) Pensions of directors		
The number of directors who were members of defined benefit pension schemes	4	4
(c) Highest paid director		
The above amounts for emoluments include the following in respect of the highest paid director.		
Emoluments	259	212

The accrued pension entitlement under the company's defined benefit scheme of the highest paid director at 31 December 2000 was £82,018 (1999: £76,955). There was no lump sum entitlement at 31 December 2000 (1999: £nil).

- (d) Director's loans made mainly in connection with house purchases or improvements have been granted to some directors on the same terms as loans available to senior staff.

The amounts outstanding are shown below:

	At 31 December 1999	Maximum during the year	At 31 December 2000
BG Kerr	110,000	110,000	110,000
IEF Stewart	44,500	44,500	-
MD Wright	45,000	45,000	45,000

10 Dividends paid

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Dividends (1.94p per share) (1999: 0.001p per share)	19,392	10

Notes (continued)

11 Fixed assets

(a) Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Fixtures & fittings £000	Assets in the course of construction £000	Total £000
Cost					
At 1 January 2000	44,195	159,551	16,519	40,626	260,891
Additions	-	34	91	3,405	3,530
Disposals	(5)	(1,332)	(1,624)	-	(2,961)
Reclassifications	16,942	17,412	1,135	(35,489)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	61,132	175,665	16,121	8,542	261,460
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2000	14,734	70,227	10,863	-	95,824
Charge for the year	2,092	7,866	1,299	-	11,257
Disposals	(3)	(616)	(1,463)	-	(2,082)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	16,823	77,477	10,699	-	104,999
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2000	44,309	98,188	5,422	8,542	156,461
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 2000	29,461	89,324	5,656	40,626	165,067
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Freehold land with a value of £2.5 million at 31 December 2000 (1999: £2.5 million) has not been depreciated.

Capital commitments

Contracts for capital expenditure for which provision has not been made in the accounts amounted to £nil (1999: £nil).

(b) Investments

A £2 investment in a subsidiary undertaking comprises the entire share capital of Ciba Specialty Chemicals (Financial Services) Limited, a dormant financial services company registered in England & Wales.

Notes (continued)

12 Stocks

	2000 £000	1999 £000
Raw materials and consumables	9,834	7,388
Work in progress	6,313	7,226
Finished goods	28,866	27,677
	<hr/> 45,013 <hr/>	<hr/> 42,291 <hr/>

13 Debtors

	2000 £000	1999 £000
<i>Amounts falling due within one year</i>		
Trade debtors	22,878	23,940
Amounts owed by group undertakings	138,009	258,126
Other debtors	4,841	5,643
Prepayments and accrued income	2,431	763
	<hr/> 168,159 <hr/>	<hr/> 288,472 <hr/>
<i>Amounts falling due after more than one year</i>		
Amounts owed by group undertakings	655,702	657,200
Pension prepayment (note 8)	56,896	45,962
Other debtors	971	3,812
	<hr/> 713,569 <hr/>	<hr/> 706,974 <hr/>

14 Creditors: amounts falling due within one year

	2000 £000	1999 £000
Bank loans	-	41,062
Trade creditors	7,101	9,345
Amounts owed to group undertakings	527,655	471,429
Taxation and social security	-	396
Other creditors	1,438	3,665
Accruals and deferred income	33,992	21,799
	<hr/> 570,186 <hr/>	<hr/> 547,696 <hr/>

Notes (continued)

15 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Accruals and deferred income (see (a) below)	5,285	5,658
Unsecured long term debt (see (b) below)	350,117	478,811
	<u>355,402</u>	<u>484,469</u>

(a) Included within accruals and deferred income are government grants as follows:

	2000 £000	1999 £000
At 1 January 2000	5,658	6,464
Amounts credited to profit and loss account	(373)	(422)
Repayment of grants	-	(384)
	<u>5,285</u>	<u>5,658</u>
At 31 December 2000	5,285	5,658

(b) Borrowings are repayable as follows:

	2000 £000	1999 £000
Unsecured long term debt		
Within 2-5 years	112,351	178,811
After 5 years	237,766	300,000
	<u>350,117</u>	<u>478,811</u>

Of the long term loan, £237.8 million is payable on 24 April 2013 and interest is charged at 6.5%. The remainder is repayable on 27 May 2003 and interest is charged at 6.125%.

Notes (continued)

16 Financial instruments

An outline of the company's policies and approach in respect to its treasury management, including the management of interest rate, liquidity and currency risk, is provided in the accounting policies note (note 1).

The company has taken advantage of the exemptions given under FRS 13, Derivatives and Other Financial Instruments, in excluding short-term debtors and creditors from the following analysis.

Financial assets

Other than cash at bank and short-term debtors and intercompany loans the company has no other financial assets.

Financial liabilities

The company's financial liabilities at the year end were held in sterling, swiss francs and US dollars.

As at 31 December 2000, the company's borrowings were on floating and fixed rates. The interest rate profile of these financial liabilities was:

	2000 £000	Weighted average interest rate %	1999 £000	Weighted average interest rate %
Fixed rate financial liabilities	350,117	6.38	300,000	6.50
Floating rate financial liabilities	502,715	6.53	672,500	5.36
	<u>852,832</u>		<u>972,500</u>	

Currency exposures

Net foreign currency monetary liabilities shown below take into account the effect of any currency swaps, forward contracts and other derivatives entered into to manage these currency exposures.

As at 31 December 2000, the company also held open various currency swaps and forward contracts that the company had taken out to hedge expected future foreign currency transactions.

	2000 £000	1999 £000
Net foreign currency monetary liabilities:		
US Dollars	331,624	173,292
Swiss Francs	-	125,317
	<u>331,624</u>	<u>298,609</u>

Notes (continued)

16 Financial instruments (continued)

Maturity of financial liabilities

At the end of the year 28% of the company's borrowings were due to mature in more than five years. The maturity profile of the company's financial liabilities in more detail as at 31 December 2000 is as follows:

	2000 £000	1999 £000
In one year or less, or on demand	502,715	493,689
In more than two years but not more than five	112,351	178,811
In more than five years	237,766	300,000
	<u>852,832</u>	<u>972,500</u>

Borrowing facilities

The undrawn facilities available at 31 December 2000 in respect of which all conditions precedent had been met, were as follows:

	2000 £000	1999 £000
Overdraft facility	10,000	10,000
Bank loan facilities	125,000	225,000
	<u>135,000</u>	<u>235,000</u>

Fair values of financial liabilities

A comparison by category of the book values and fair values of the financial liabilities of the company as at 31 December 2000 is shown below:

	2000 Book value £000	2000 Fair value £000	1999 Book value £000	1999 Fair value £000
Group loans to finance the company's operations	502,715	502,715	452,627	452,627
Long-term borrowings	350,117	376,424	478,811	462,589
Short-term financial liabilities and current portion of long term borrowings	-	-	41,062	41,062
	<u></u>	<u></u>	<u></u>	<u></u>

Notes (continued)

16 Financial instruments (continued)

All fair values have been determined using appropriate market rates as at 31 December 2000 and by discounting relevant cash flows at the prevailing rate.

Gains and losses on hedges

Gains and losses on currency and hedging instruments used for hedging purposes are not recognised until the exposure that is being hedged is itself recognised. A summary of such gains and losses and movements therein is as follows:

	Gains 2000 £000	Losses 2000 £000	Net 2000 £000
Unrecognised gains and losses at 1 January 2000	2,648	(1,438)	1,210
Gains and losses recognised in the year arising in previous years	(2,648)	1,438	(1,210)
	<hr/>	<hr/>	<hr/>
Gains and losses arising in previous years not recognised in the year	-	-	-
Gains and losses not recognised in the year arising in year	5,124	(896)	4,228
	<hr/>	<hr/>	<hr/>
Unrecognised gains and losses at 31 December 2000	5,124	(896)	4,228
	<hr/>	<hr/>	<hr/>
Of which:			
Gains and losses expected to be recognised in the year ending 31 December 2001	3,751	(896)	2,855
Gains and losses expected to be recognised after 31 December 2001	1,373	-	1,373
	<hr/>	<hr/>	<hr/>
	5,124	(896)	4,228
	<hr/>	<hr/>	<hr/>

17 Provisions for liabilities and charges

	Post retirement medical insurance (see note 7) £000	Other provisions £000	Total £000
At 1 January 2000	1,273	1,070	2,343
Additions in the year	22	-	22
Transfer from other group companies	-	534	534
Transfers to other group companies	-	(160)	(160)
Utilised during year	-	(1,037)	(1,037)
	<hr/>	<hr/>	<hr/>
At 31 December 2000	1,295	407	1,702
	<hr/>	<hr/>	<hr/>

Other provisions include pension provisions set up on the reorganisation of the company in 1991 and 1994.

Payment for post retirement medical insurance will be made until the members cease to be in the scheme.

Notes (continued)

18 Called up share capital

	2000 £000	1999 £000
<i>Authorised</i>		
2 billion ordinary shares of £0.05 each	100,000	100,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
999,813,360 ordinary shares of £0.05 each	49,991	49,991
	<hr/>	<hr/>

19 Share premium and reserves

	Share premium account £000	Profit and loss account £000
At 1 January 2000	60,032	61,581
Deficit for the year	-	(13,218)
	<hr/>	<hr/>
At 31 December 2000	60,032	48,363
	<hr/>	<hr/>

20 Reconciliation of movements in equity shareholders' funds

	Year ended 31 December 2000 £000	Year ended 31 December 1999 £000
Opening equity shareholders' funds	171,604	152,558
	<hr/>	<hr/>
Profit for the financial year	6,174	19,056
Dividends paid	(19,392)	(10)
	<hr/>	<hr/>
Net (reduction in)/addition to equity shareholders' funds	(13,218)	19,046
	<hr/>	<hr/>
Closing equity shareholders' funds	158,386	171,604
	<hr/>	<hr/>

Notes (continued)

21 Commitments

Annual commitments for the company to make payments under non-cancellable operating leases:

	2000 Other £000	1999 Other £000
Commitments expiring:		
within one year	520	364
within two to five years	419	112
	<hr/>	<hr/>
Total commitments	939	476
	<hr/>	<hr/>

22 Ultimate parent company

The directors consider that Ciba Specialty Chemicals Holdings Inc., a company incorporated in Switzerland, is the company's ultimate parent undertaking.

Ciba Specialty Chemicals Investment PLC is the parent undertaking of the group of which Ciba Specialty Chemicals PLC is a member and for which group accounts are drawn up. Copies of these group accounts will be delivered to and available from the Registrar of Companies, Companies Registration Office, Crown Way, Maindy, Cardiff, CF4 3UZ.

As a subsidiary undertaking of Ciba Specialty Chemicals Holdings Inc., the company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose transactions with other members of the group.